

HOUSE RESEARCH

Bill Summary

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Authors: Loon

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Analyst: Joel Michael, joel.michael@house.mn

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Overview

This bill repeals the gift tax and increases the exemption under the estate tax to equal the exclusion amount under the federal estate tax. Under present law, the exemption under Minnesota estate tax is \$1 million. The federal exclusion amount is \$5.34 million for decedents dying in 2014 (the amount is indexed for inflation). In addition, the bill adopts the federal portability rules that allow a surviving spouse to carryover or inherit any portion of the exclusion that was not used on the death of the first spouse.

The bill's changes are effective for decedents dying after June 30, 2013, and for gifts made after June 30, 2013 (the effective date of the gift tax). In calendar year 2013, the federal exclusion amount was \$5.25 million.

The bill also repeals the \$4 million special exemption under the estate tax for qualifying farmland and small business property.

Section

- 1 Gift tax data.** Eliminates the reference to the gift tax, which is repealed by section 6, in the law governing the classification of tax data.
- 2 Gift tax return.** Repeals the limit on inspection of gift tax returns to the taxpayer, since the tax is repealed by section 6.
- 3 Filing requirement; estate tax.** Provides the requirement to file a Minnesota estate tax return only applies if the estate is required to file a federal estate tax return.

Section

- 4** **Definition of taxable estate.** Eliminates the subtraction for the qualified farm and small business property in the definition of Minnesota adjusted taxable estate. This subtraction, which can be up to \$4 million, is repealed by sections 4 and 6. Adoption of the federal exclusion amount by section 5 makes the general exemption larger than the combination of the current general exemption and the special exemption.
- 5** **Federal exclusion amount; estate tax.** Adopts the federal exclusion (by basing the tax limit computation on the federal unified credit under current, not 2000, federal law) for purposes of calculating Minnesota estate tax liability and eliminates the farm and small business exemptions. The federal exclusion amount is set at \$5 million, indexed for inflation. For decedents dying in 2013, the exemption amount was \$5.25 million and is \$5.34 million for decedents dying in 2014. In addition, this section adopts the federal “portability” rules that allow a surviving spouse to inherit the amount of the exclusion that is not used on the death of the first spouse.
- 6** **Repealer.** Repeals the gift tax (retroactive to its enactment) and the exemption under the estate tax for qualified farm and small business property and the related recapture tax used to enforce ongoing compliance with the exemption’s requirements.

Section	Description
289A.10, subd. 1a	Filing requirement for recapture tax – e.g., if qualified heirs fail to use farm or small business exemption property as required by their agreement
289A.12, subd. 18	Filing requirement for information returns to verify compliance with the qualified farm and small business exemptions
289A.18, subd. 3a	Due dates for filing recapture tax returns
289A.20, subd. 3a	Payment dates for recapture returns
291.03, subd. 8	Definitions related to qualified farm and small business property
291.03, subd. 9	Qualified small property exemption
291.03, subd. 10	Qualified farm property exemption
291.03, subd. 11	Imposition of recapture tax
292.16	Definitions for the gift tax chapter
292.18	Imposition of gift tax
292.19	Gift tax returns

Section

292.20	Gift tax filing requirements
292.21	Appraisal of property for gift tax purpose